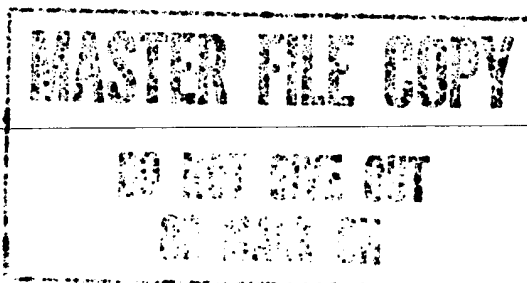




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Is Iraq Losing the War?

Special National Intelligence Estimate

~~Secret~~

SNIE 34/36.2-86
April 1986

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THE NATIONAL FOREIGN INTELLIGENCE BOARD CONCURS.

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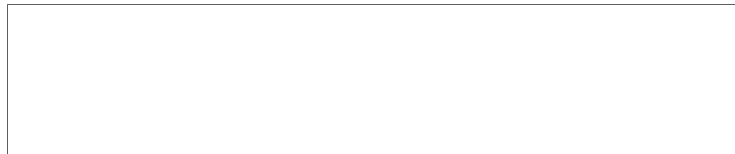
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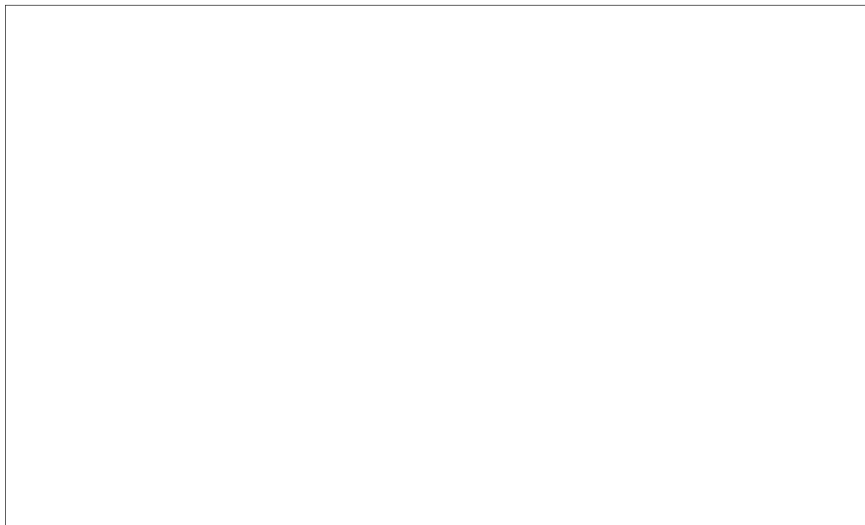
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SNIE 34/36.2-86

IS IRAQ LOSING THE WAR?

Information available as of 3 April 1986 was used in the preparation of this Estimate, which was approved by the National Foreign Intelligence Board on that date.

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SCOPE NOTE

This paper examines the prospects of an Iraqi defeat in the Gulf war. The paper addresses trends in the war and is not limited to a specific time frame. While the paper focuses on Iraq, Iranian resolve and vulnerability to attack are considered to gauge the likelihood and implications of a significant shift in Iraq's war policies.

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KEY JUDGMENTS

A continued failure by Baghdad to exploit its many military advantages over Iran will mean that Iraq will suffer additional military setbacks and probably lose the war over the long term. Iraq's strategy—to outlast Iranian resolve to bring down the Ba'thist regime—will not work unless Baghdad substantially raises the costs to Iran. Only a change to a much more aggressive posture designed to preempt Iranian offensives and cripple Iran's economy would turn the war around:

- Despite Iraq's advantage in weaponry, its objective is only to *end*, and not *win*, the war—that is, to emerge with the Ba'th regime and Iraqi territory intact. The regime translates this objective into a reactive, ineffective use of its military forces that has largely yielded the initiative to Iran.
- Although both Iraq and Iran are vulnerable to political unrest caused by war weariness and economic problems, in the short term *Iraq's* internal situation is more vulnerable because of declining civilian morale and more acute manpower shortages. Moreover, the narrow base of Saddam's regime makes him more susceptible to challenge and possible removal with little warning. []

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Iran's vital economic and military facilities remain highly vulnerable to Iraqi air attack, and a sustained and effective Iraqi campaign against these targets could severely limit Iran's ability to fight the war and ultimately force the regime to reconsider its policies—short of making peace. Baghdad's failure to launch a concerted air campaign emanates from a deeply ingrained aversion to broadening the scope of the war. Baghdad could well go on resisting meaningful change on this issue until it is too late. []

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Iran's recent military successes have caused further decline in the morale of Iraq's war-weary population—Iraqis are depressed over heavy casualties from a seemingly unending conflict they fear they are not winning. At the moment, Iraqi troops still have the will to resist Iranian attacks and Baghdad faces little organized dissidence outside of Kurdistan, but further Iranian successes will heighten discontent over the war, embolden opponents of the regime, and make security more difficult. []

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On the basis of very limited evidence, we believe grumbling over Saddam's conduct of the war is already growing among both military and civilians and increases the chances of assassination or, less likely, a coup. Would-be coup plotters currently are restrained by Iraq's vigilant security services and the belief that Saddam's fall would embolden Tehran to forge ahead to entirely eliminate Ba'thist rule in Baghdad. If Iraq does not begin to fight the war more effectively, some military officers may conclude that although Iraq *may* be defeated without Saddam, it *will* lose if he stays. Most Iraqis probably would rally behind a new leadership. []

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The leaders of a military coup probably would pursue more aggressive war policies than a civilian regime, but a successor regime—whether civilian or military—would suffer from infighting and increased internal dissidence. Iran probably would find any non-Shia successors unacceptable as negotiating partners. []

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Meanwhile, declining oil revenues will hamper Baghdad's "guns-and-butter" policy of paying for both the war and the consumer goods necessary to maintain the civilian economy and morale. Unless Iraq's Persian Gulf allies substantially increase their financial aid, Baghdad will be forced to cut imports by at least 25 percent, largely at the expense of industrial and consumer goods and services []

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For its part, Iran is likely to launch a series of medium or small-scale border attacks in 1986 to weaken Iraq's defenses. If Tehran judges that Iraq's military, political, and economic situation has deteriorated significantly, Iran will launch a large offensive, hoping that a single major blow would shatter Iraq's will to fight and cause the collapse of the regime in Baghdad. Nevertheless, Iran probably will have significant logistic problems if it attempts to launch a major offensive []

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Iran's initial success at Al Faw has hardened the clerical regime's resolve to continue the war until the Ba'thist regime is toppled. The most likely post-Khomeini government will not be more conciliatory if the military gains more battlefield successes. []

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Iran's leaders are unlikely to scale back the war effort in the next 12 months unless the war leads to serious popular discontent. In the event that Iraq inflicted crippling damage to the Iranian economy in as soon as four months, and certainly within a year, Iranian leaders would face instability severe enough to force a rethinking of their war policy. []

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In the event Iraq did maintain a campaign of effective air attacks, Iran would respond by first increasing operations against shipping in the Persian Gulf and, if desperate, attacking Iraqi cities. If Iraqi attacks

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began to weaken the Iranian economy seriously, the Iranians would very likely launch terrorist or commando attacks on the Arab Gulf states. Iran would be reluctant to expand the ground and air war into these countries. It probably would not try to blockade or interdict all shipping through the Strait of Hormuz because of fear about US or Western intervention. []

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The defeat of Iraq or the establishment of a credible Islamic republic in southern Iraq would significantly increase the threat of instability for countries such as Kuwait and Bahrain, which have large Shia populations. Shia restiveness in the Eastern Province of Saudi Arabia would also grow, as would the potential for sabotage against oil facilities. Political and ideological pressure from Iran probably would cause the Gulf Cooperation Council states to draw closer together and appeal to the West for diplomatic and even military support to discourage Iranian intervention. []

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The Gulf war has not served Moscow's overall interests in the region—largely giving the United States greater opportunity to play a security role in the Gulf and to improve its ties to Baghdad. Moscow has consistently called for an end to the war, fearing that US strategic interests would continue to gain at Soviet expense. Despite Moscow's support for Baghdad, the Soviets do not want either Iran or Iraq to emerge as clear victor. Moscow has long preferred a relative balance between the two countries as the best way to exert its influence in the region. []

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If the Soviets believed that a major Iraqi defeat loomed on the horizon, they would be under considerable pressure to help Baghdad. The credibility of the USSR would be at stake if it were perceived as unwilling to assist a country near its borders with whom it enjoyed longstanding ties. Furthermore, even though the Soviets would be unlikely to engage in direct combat support to Iraq against Iran, lending Baghdad military aid would hold several advantages for Moscow:

- It would place the USSR in the position of major player in the Gulf, rivaling the United States.
- The United States would be hard put to condemn the Soviets since the request would come from a regime that the United States itself has not wished to see collapse.
- Moscow might see this as a way to force a dialogue with the United States about joint handling of regional security issues—including the Arab-Israeli problem. []

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We believe it more likely, however, that Moscow would be reluctant to send Soviet ground or air forces into Iraq, even if invited.

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The Soviets would have several less risky options for demonstrating their credibility as an ally and as a major arbiter of Gulf politics. The Soviets could pursue some combination of the following initiatives:

- Deliver new weapon systems.
- Supply additional military advisers and intelligence.
- Increase tensions along Iran's border with the USSR and step up military operations in western Afghanistan.
- Enforce an embargo on Soviet-made arms reaching Iran from Eastern Europe.
- Stop the transit of Iranian imports crossing Eastern Europe and the USSR. (S NF)

Short of sizable direct intervention, there is little the United States could do to shore up the Iraqi military position. Iraq remains well armed, and US military aid or advisers would only marginally improve Iraq's ability to defend itself against Iran. As long as Iran continues to have access to its non-Western suppliers—Libya, Syria, North Korea, and East European countries—it can maintain its military effort at current levels indefinitely. Under these conditions, a further tightening of the Western arms embargo on Iran will have little effect. (S NF)

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DISCUSSION

The Sixth Year of War

1. The Iran-Iraq war has dragged on for more than half a decade with neither side able to end the conflict. Both countries have been weakened by war expenses and property losses estimated at a quarter trillion dollars and over a million casualties. Although Iraqi and Iranian military fortunes have waxed and waned, Iran's initial military success at Al Faw raises questions about Baghdad's staying power and whether Iraq may be losing the war.

Different Strategic Objectives

Iraq

2. Iraq's objective since 1982 has been to *end* the war with the Ba'th regime and Iraqi territory intact. The government and populace are extremely sensitive to casualties, and the regime must weigh the human costs of each step it takes. Similarly, Saddam Husayn believes that any efforts to improve the effectiveness of his military must also guard against the emergence of any political rivals who could exploit the country's war weariness to seize power. These factors have heavily influenced Iraq's war strategy, which is to:

- Defend Iraq against Iranian attacks, making clear Iraq's readiness to negotiate the war's end. Iraq hopes this strategy will wear down Iranian will over time, prevent a popular outcry in Iraq, and ensure continued international support.
- Husband its resources for a long war. Use superior firepower and technology to inflict unacceptable casualties on Iran while minimizing Iraq's losses.
- Maintain economic pressure on Iran.
- Maintain popular support for the war effort by shielding the populace from the costs of the war. Provide heavily subsidized consumer goods and generous compensation to casualties or their survivors.

3. The Iraqi leadership perceives its strategy as being a reasonable one given the military situation, domestic, and foreign policy concerns. *Iraq has consistently allowed its defensive strategy to become a reactive one, however, forfeiting the initiative to the*

Iranians. Iraqi execution of the war is characterized by interference by politicians in military matters, misuse of modern weaponry, unaggressive commanders, and reluctance to preempt Iranian offensive preparations or conduct their own offensives. Additionally, sporadic, unaggressive, and limited air attacks on oil facilities, shipping, and civilian targets have inflicted little serious damage to Iran's economy.

Table 1
Estimated Manpower and Equipment,
February 1986

	Iraq	Iran
All armored vehicles	9,000	2,000
Artillery	2,350	700
Operational combat aircraft	450-500	50-60
Personnel under arms ^a	800,000-850,000	600,000-1,000,000

^a Includes regulars, reservists, and irregular troops.

4. Although the replacement of incompetent commanders and more aggressive tactics in the ground and air campaigns would improve Iraqi military effectiveness, the Ba'thist regime's mistakes in pursuing its war goals will not be easily reversed. Key officials are keenly aware that their own miscalculations of Iran's resolve and military effectiveness have led to their current situation. This fact, combined with the mistakes presented above, stifles initiative, traumatizes decisionmakers, and leads to a hesitant and risk-averse approach to war fighting. Ironically, the more the threat from Iran increases, the more sensitive the regime must be to the political reliability of its commanders and simply holding on to power.¹

¹ The community remains uncertain about the precise reasons for Iraq's hesitancy to mount a sustained air campaign against Iran. Possible explanations range from a deeply ingrained fear of expanding the war (in light of previous disastrous miscalculations) to fear of the specific consequences of such a move, such as aircraft losses or retaliation. Many analysts feel that none of these adequately explains continued Iraqi restraint in the face of significant reverses in the war.

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5. Iraq's prolonged hesitancy about mounting a sustained and effective air campaign against Iranian economic targets raises serious doubts that it ever will do so. (For a more complete discussion of Iran's vulnerability, see annex.) It probably will continue with incremental, though not necessarily effective, air attacks in the Persian Gulf and Iran. In our judgment, the Iraqi Air Force has the capability of inflicting damage on the Iranian economy that would limit Iran's ability to fight the war and ultimately force the regime to reconsider its policies—short of making peace. []

6. The shock of the defeat at Al Faw and the loss of an Iraqi city—albeit unoccupied—has provided the strongest stimulus to date for the Saddam regime to alter its policies and use an air campaign to raise the costs of the war for Iran. Iraq has, in fact, increased the frequency of attacks launched, but this incremental shift has been ineffective. If the Iraqis suffer further setbacks, they may continue to increase the tempo of the air war. The effects of these attacks on Iran's population and economy, however, could occur as much as six months downstream. If Iraq waits until its strategic situation is unraveling, Iranian resolve will have increased, and an economic campaign may well come too late. []

7. Significant casualties in 1986 would very likely undermine Iraqi military capabilities even though Iraq's equipment outnumbers Iran's by between two and eight to one in tanks, artillery, and aircraft. Recent losses have already weakened elite Iraqi units that Baghdad has often depended on in crisis. Further casualties increase Iraq's dependence on new, inexperienced recruits and reservists. Although 177,000 Iraqi males reach draft age each year, poor civilian morale is likely to increase draft dodging and desertions, further reducing Iraqi military manpower. []

Iran

8. Unlike Baghdad, Iran's objective has been to win the war. Khomeini's objectives—the removal of Saddam Husayn and the Ba'hist regime and the establishment of a fundamentalist pro-Iranian regime in Iraq—have not changed during the conflict. To achieve these objectives, Iran has waged a war of attrition against Iraq to weaken civilian support for the regime in Baghdad and demoralize, weaken, and eventually cause the collapse of the Iraqi armed forces. []

9. Iran will continue to retain the military initiative by maximizing its military advantages, especially in manpower and religious fervor. It uses its Basij (minimally trained volunteers) and Revolutionary Guard troops to overwhelm Iraqi defenses and force Iraq to mount costly counterattacks. Iranian commanders have demonstrated aggressiveness and imagination on the battlefield by launching surprise attacks on weak defenses, in bad weather, or in poor terrain, which neutralizes Iraq's mechanized forces. Iran's tactic of seizing mountainous or swampy territory forces Baghdad's armor-heavy forces either to concede the area or try to recapture it and suffer heavy losses. []

10. Nevertheless, we believe that equipment shortages, supply problems, and interservice rivalries will continue to hinder Iranian military capabilities. Lack of armor, artillery, and aircraft will limit the tempo, duration, and extent of Iranian attacks. The US-backed arms embargo has reduced or cut off most of the large arms sales to Iran from Western countries, although Tehran has received military supplies from the black market, Third World manufacturers, the Soviet Bloc, North Korea, Libya, and China. We believe that such purchases probably will not be large enough or arrive in Iran in time to influence battles significantly in the next year. Friction between the regular armed services and the Revolutionary Guard will also continue to undermine Iranian operations. []

11. Declining oil prices and the falling value of the dollar alone probably will not place unmanageable economic pressure on the war efforts of either Iran or Iraq over the next several months. The low cost of Iran's "labor-intensive" war strategy and Arab financial aid to Baghdad probably will prevent critical shortages of military supplies in either country. Over the longer term, however, Iran will find it difficult if not impossible to afford large quantities of weapons and munitions, even if it can find suppliers. []

12. With a pool of over 460,000 Iranian males reaching draft age each year, Tehran will be able to fight indefinitely at current or even higher levels and still not suffer manpower shortages. Moreover, Iran probably can mobilize hundreds of thousands of volunteers and reservists for major battles. []

War on the Home Front

Iraq

13. Iran's crossing of the Shatt al Arab waterway—an important defensive and psychological barrier—and seizure of Al Faw port have caused further

Iraqi territory captured by Iran since March 1984

Iraq

Iran

Kuwait

Persian Gulf

KUWAIT

Al 'Amārah

Hawr al Hawizah (marsh)

Majnoon Islands

Ahvāz

Rud-e Kārūn

Bandar-e Khomeyni

Khorramshahr

Abādān

Shatt al Arab

Umm Qasr

Al Faw

Khawr 'Abd Allāh

Būbiyān

Kuwait Bay

Shatt al Basrah Canal

Hawr al Hammār

Euphrates

Tigris

Khawr-e Musa

0 25 Kilometers

0 25 Miles

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decline in the morale of Iraq's war-weary population. The Iraqis are increasingly depressed over heavy casualties and the prospects of still more losses in a conflict they fear they are not winning. Iraq has suffered about 400,000 casualties in the five-and-a-half-year-old war—the equivalent of over 5.8 million in a population the size of the United States or 11 percent of Iraqi males of military age [redacted]

Table 2 (In thousands)
Estimated Casualties,
September 1980–February 1986

	Iraq	Iran
Military killed and wounded	375-400	600-650
Civilians	10	75
Total population	15,500	45,000

14. At the moment, Iraqi troops still have the will to resist Iranian attacks. If Iran achieves a series of military successes, however, Iraqi morale and determination to fight will deteriorate. Saddam and the ruling Ba'th Party are not popular, but the majority of Iraqis—even the Shias, who comprise 55 percent of the population and 70 to 80 percent of Iraq's fighting forces—appear to prefer secular Ba'thist rule to Iran's brand of Islamic fundamentalism. The Ba'thists have vigorously courted Iraq's Shias by employing an astute, but expensive, combination of carrots and sticks. Despite vast improvements in the standard of living of Shias under Saddam and efforts to integrate them into society, most Shias are lukewarm toward the regime. As the death toll mounts, the apparent enthusiasm they once felt for Saddam has switched to resentment over his starting the costly war and his inability to end it. [redacted]

15. Declining oil revenues will hamper Baghdad's efforts to shore up sagging spirits. Until recently, the regime has effectively shielded consumers from war-related deprivations. Baghdad has instituted price controls and price subsidization of basic necessities, free or heavily subsidized public services, and gifts to officers and families of the war dead. These measures have been reduced gradually over the past three years, and falling oil prices, combined with the decline in the value of the dollar, will force still more austerity measures. [redacted]

16. Despite the recent opening of the oil pipeline to Saudi Arabia, we expect Iraqi oil exports to generate only about \$8.5 billion this year, leaving a shortfall of \$8 billion at current import rates. Even if, as appears likely, Iraq can persuade foreign creditors to roll over some \$1.5 billion in debt payments due this year and Gulf allies provide aid of about \$3.0 billion, Iraq must pare imports by 25 percent. [redacted]

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17. Barring a sharp increase in financial aid from the Gulf states, the burden will fall largely on imports of industrial and consumer goods and services. Ministries reportedly are preparing to lay off workers, and shortages of important consumer goods have already appeared. Further cuts in benefits for military officers also seem likely. Iraqi efforts to pursue more restrictive fiscal and monetary policies will not prevent inflation from increasing [redacted]

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18. Iraq's security services—widely regarded as among the most brutal and effective in the Arab world—have largely eliminated most organized dissidence outside of Kurdistan and intimidated potential dissidents. The task of the services will be more difficult in the coming year. There have been more reports of open civilian and military criticism of Saddam's leadership. This development could embolden dissidents, but the very effectiveness of the police state will tend to mask indications of impending trouble. [redacted]

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19. At present, Dawa and other Shia dissident groups are divided and weak. The arrest of Dawa and other Shia activists, the execution of prominent leaders, and the expulsion of over 60,000 Shias of Iranian descent appear to have forced Shia rebels to operate largely outside Iraq. [redacted]

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20. Kurdish guerrillas seeking greater autonomy pose a growing, but still manageable, threat. Some 8,000 rebels control much of the mountainous border areas north of Mosul, Irbil, Kirkuk, and As Sulaymaniyah from which they stage attacks against government, military, and economic targets. The Kurds—who receive limited military support from Syria, Libya, and Iran—are likely to step up their operations in the spring and summer and will continue to tie up thousands of Iraqi militiamen. Baghdad, however, probably will not have to divert significant numbers of troops from the front to contain the Kurds. [redacted]

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Outlook

21. We believe Iran is likely to launch a series of medium or small-scale attacks along the border in 1986 to maintain pressure on Iraq. Tehran may judge

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that operations similar to Al Faw could cause the Iraqi Army to crumble or will help prepare the way for a major Iranian attack in late 1986 or early 1987. A series of small-scale attacks would tire and disperse Iraqi units, wear out equipment, and keep the Iraqis in a constant state of alert and apprehension. Tehran would portray such operations as a succession of Iranian victories in order to lower Iraqi civilian morale, foment popular unrest, and weaken support for the Baghdad regime. If, however, Iran fails to keep up military pressure on Iraq, Baghdad will reinforce its defenses, rebuild its forces, and be in a better position to resist Iranian attacks in 1987. []

22. If Tehran judges that the Iraqi military and political situation has deteriorated in 1986, it will most likely try to launch a large-scale offensive in hopes that a major blow will shatter Iraqi defenses. Iran would probably see a combination of coup attempts or plots, civilian unrest, poor combat performance by many Iraqi units, and large-scale desertions as evidence that an offensive would very likely succeed. The attack probably would attempt to isolate and capture Al Basrah or the Iraqi cities of Mandali or Khanaqin. If Iran can overcome significant logistic difficulties, the Iraqis might not be able to redeploy units quickly enough to stop Iranian advances, and Iraqi defenses in the south could collapse. Because of the potential magnitude of this loss and probable continuing Iranian attacks, remaining Iraqi forces probably would be sorely tested to stop further Iranian advances. []

23. Such major Iraqi military defeats might spur efforts by disgruntled Iraqis to assassinate Saddam. He has escaped over a dozen such attempts since the Ba'thist coup in 1968. If Saddam is assassinated or dies a natural death, the Revolutionary Command Council—Iraq's highest ruling body—would appoint his successor. No successor would enjoy a strong power base, and a collegial type of leadership would emerge that would give greater influence to the military. The new government would test Iran's willingness to end the fighting following Saddam's removal—one of Tehran's principal negotiating demands. []

24. Saddam's death would trigger maneuvering for power by various military and civilian Ba'thists, embolden opposition to the Ba'thists, and probably reduce the effectiveness of the security apparatus. Most Iraqis, however, probably would rally behind the new leadership, and it is possible that a collective leadership, more open to alternative views, might even fight the war more effectively. []

25. In any event, the risk of a military coup will continue to increase unless Baghdad's war fortunes reverse or Iran shows signs it might be willing to end

the war. There are more indications of grumbling over mismanagement of the war in the military and among civilians. Officers and troops are upset over political interference in military decision making and Iraq's inability to bring Tehran to the bargaining table despite Baghdad's superiority in military equipment. So far, the dissidence remains unorganized. []

26. A coup is unlikely in the next few months—absent a major military setback—because of Saddam's effective security apparatus and his appointment of loyalists to key positions in the military. Moreover, we believe military officers would be reluctant to risk switching leaders in wartime. Instead, the military probably will press Saddam for policy and operational changes to improve Iraq's war making ability. If Saddam does not comply, and Iraq experiences more reverses, elements within Iraq's military are increasingly likely to conclude that, although the war may not be winnable without Saddam at the helm, they are certain to lose if he stays. []

27. The leaders of a military coup—almost certainly Ba'thists—would rule collegially and would follow policies similar to those of civilian successors to Saddam. Military rulers, however, probably would pursue more aggressive war policies than a civilian regime. Successor regimes, whether civilian or military, would suffer from infighting and increased internal dissidence. For its part, Iran would not find Ba'thist military officers any more to its liking than civilian Ba'thists. []

Iran

28. We do not expect Khomeini to change his conditions for ending the war over the next 12 months. The success at Al Faw has hardened the regime's resolve to continue the war until the Ba'thist regime is toppled and an Islamic government is established. []

29. An improved Iranian military situation will also reduce the already slim chance that a post-Khomeini government would change Iran's objectives. Even if the war remained stalemated, the likely successor government probably would initially be uncompromising on the issue of Saddam. The principal contenders for power after Khomeini's death will try to outbid each other for recognition as the chief protector of his legacy, including, especially, his adamant opposition to the Iraqi Ba'thists. None of the contenders would want to give opponents an issue to exploit by advocating a softening of Iran's war policy, particularly while the military is making gains.² []

² For a more comprehensive treatment of this issue, refer to the Memorandum to Holders of SNIE 34-84, *Iran's Prospects for Near Term Stability*, February 1986. []

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30. The clerics are likely to change their objectives only if they perceive that the war has become a significant cause of popular discontent severe enough to threaten the regime's survival, *and* that winding down the war is the only way to reverse that trend. We do not believe the regime will face such a choice over the next year given Iraq's current military policy. A resurgence of war weariness and continued economic deterioration in Iran during that time may raise the level of popular discontent, but, by holding the initiative, Iran has the option of scaling back operations rather than abandoning its objectives. []

31. Popular willingness to continue the war is likely to decline significantly if Iraq inflicts significant Iranian casualties or cripples the Iranian economy through airstrikes on oil export facilities and economic infrastructure. Most Iranians would at first direct their anger at Iraq, but we do not believe the Iranians have a limitless capacity to endure privation, unemployment, inflation, electricity outages, and shortages of some key imports. Increasing numbers of Iranians would question the diversion of resources to fight a war that does not directly involve the survival of the state. A decline in popular morale is likely to be avoided only if continued Iranian successes on the ground convince the populace that victory on Iran's terms is still a realistic possibility. []

32. Iranian leaders would face significant instability if Iraq repulsed major Iranian advances in the ground war and mounted a successful campaign to cripple the Iranian economy. This could be severe enough to force a rethinking of their war policy in as soon as four months and certainly within a year. By instability, we mean repeated antiregime demonstrations, strikes, sabotage, and other incidents throughout Iran. The Iranians are unlikely, under any circumstances, to declare a formal peace. Their most likely choice would be to wind down the war and eventually accept a de facto truce. []

33. The decline in oil prices is also imposing pressure on the Iranian economy and popular morale. Lowered revenues alone, however, are not likely to lead to regime-threatening instability within the next year. The foreign exchange reserves available to Iran will prevent the effects of even a precipitous decline in revenues from being felt for several months, and several more months are likely to pass before antiregime activities could reach serious proportions. []

Regional Implications

Prospects for Expansion of the War

34. Tehran would respond to increased Iraqi air attacks by initially stepping up military operations in the Persian Gulf. It would increase attacks on oil tankers from the Gulf states, perhaps seizing some as compensation, and confiscate cargoes bound for Iraq. If desperate, Iran would launch air and missile attacks against Iraqi cities. Iran probably would expand the war to the Arab Gulf states only if Iraqi attacks began to seriously weaken the Iranian economy. Tehran then would consider using Iranian-backed terrorists to attack oil facilities in the Gulf states or to foment civil unrest against the local government. Iranian commandos or aircraft might raid offshore oil-loading facilities. We judge that Iran would be reluctant to expand the ground war to the Gulf states or try to close the Strait of Hormuz because of the fear of US or other Western intervention. []

35. Falling oil prices, combined with the widely held perception of its military prowess, has caused Iran to abandon its relatively moderate policy toward the Gulf states. Iran will continue to use its leverage to try to force the Arab states in the Gulf to end their support for Iraq and to cut oil production to stabilize prices. Iran has attempted, without much success, to drive a wedge between Iraq and the Gulf states by cultivating good bilateral relations with them and by generally refraining from sponsoring terrorism against them. Although Iran has attempted to coerce the Arabs since the Al Faw campaign with blunt threats of retaliation if its demands are not met, so far the Gulf states have held firm. []

36. If Iran is not able to secure Saudi cooperation to shore up oil prices, Tehran is likely to make good on its threats to use force. As a first step, Iran probably will try to attack or interdict tankers carrying oil from the neutral zone to be sold on Iraq's behalf. If this tactic fails to gain Saudi compliance and low oil prices begin to seriously hurt Iran's economy, Tehran may step up its pressure by sponsoring terrorism against Gulf state facilities. []

Impact on the Gulf

37. A major Iraqi defeat—including large territorial losses—would probably be followed by the establishment of an Islamic republic in southern Iraq. This development would have significant consequences for the stability of those Gulf countries with large Shia

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populations—notably Kuwait and Bahrain. Many Shi-
as in these countries, as well as in the large Shia
population of Saudi Arabia's Eastern Province, have
long been sympathetic to the goals of the Iranian
Islamic regime and inspired by the example of the
Ayatollah Khomeini. Moreover, Sunni fundamentalists
around the Arab world—while not wishing to import
most features of Tehran's Islamic Republic—will draw
further inspiration and encouragement from a defeat
of secularist Iraq by Islamic forces. []

38. Another Khomeini-style regime would invigo-
rate Shia elements to agitate more openly and force-
fully against their Sunni-dominated governments.
Government repression of Shias would increase as
security services moved to quell any visible signs of
opposition to the government. Sunni-Shia tensions
among the populace, never far below the surface,
would increase and probably lead to open clashes.
[]

39. Iran would try to use its increased political and
military power to gain the leading role in OPEC and
pressure other members to lower production and raise
prices. If Iran acquired leverage on Iraqi oil produc-
tion, it would rival Saudi Arabia in terms of both
production capacity and reserves. Riyadh, therefore,
might be intimidated into working with Iran to raise
oil prices. []

The Soviets: Interests and Options

The Soviet View

40. The Gulf war has not served Moscow's overall
interests in the region despite boosting Soviet arms
sales:

- Moscow alienated Iraq early on in the war by
placing an arms embargo against Baghdad in an
unsuccessful ploy to curry favor with the new
Iranian regime, causing lingering distrust.
- The war sparked deep concerns in the Gulf,
causing the formation of the Gulf Cooperation
Council (GCC), which turned to the United
States for strategic assistance against Iran.
- The war has complicated Soviet efforts to
achieve greater cooperation among Iraq, Syria,
and Libya, all of which have longstanding mili-
tary ties to Moscow.
- The Gulf states' concern over the war and their
need for US security guarantees have tended to
offset resentment against the United States for its
pro-Israeli stance.

- Iraq moved closer to the West, normalized rela-
tions with the United States, and adopted a more
moderate position on most regional issues. []

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41. Moscow has consistently called for an end to the
war, fearing that the US would continue to advance its
strategic interests at Soviet expense. Unable to make
any significant inroads in its relations with Tehran,
Moscow has supported Iraq—providing over \$6 billion
worth of arms to Baghdad since the war began. Its
senior officials have continued to publicly and private-
ly urge both parties to end a war Gromyko has
described as “illogical”—suggesting that it does not
serve Soviet interests. []

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42. Despite Moscow's support for Baghdad, the
Soviets do not want either Iran or Iraq to emerge as
clear victor. Moscow has long preferred a relative
balance between the two countries as the best way to
exert its influence in the region:

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- A victorious Iran not only would undermine
Soviet influence in Baghdad, but also probably
would make the Khomeini regime even less
susceptible to Soviet inroads or pressure and free
up assets that could be used to support the
Afghan mujahadeen. Moreover, the Kremlin
would not want to see an anti-Soviet Iranian
regime, whose Islamic fundamentalism might
potentially attract followers among the USSR's
approximately 45 million Muslims, spread its
influence beyond Iranian borders. []

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43. If the Soviets believed that an Iraqi defeat
loomed on the horizon, they would be under consider-
able pressure to help Baghdad. Soviet credibility
would be at stake if it were perceived as unwilling to
assist a country in need of help near the Soviet Union
with longstanding ties to the USSR. Furthermore,
helping Baghdad would hold several advantages for
Moscow:

- It would place the USSR in the position of major
player in the Gulf, rivaling the United States.
- The United States would be hard put to condemn
the Soviets since the request would come from a
regime that the United States itself has not
wished to see collapse.
- Moscow might see this as a way to force a
dialogue with the United States about joint han-
dling of regional security issues—including the
Arab-Israeli problem.

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In spite of these pressures and inducements to act, however, the Soviets are unlikely to use Soviet Ground Forces in Iraq.³ []

44. In a prolonged scenario, the Soviets would have several options designed to demonstrate Soviet credibility as an ally and as a major arbiter of Gulf politics. The Soviets could pursue some combination of the following initiatives:

- Deliver new weapon systems such as the more accurate SS-21 surface-to-surface missile or the longer range SS-12.
- Supply additional military advisers and intelligence, possibly even using the Soviet military advisers in Iraq to participate in tactical planning and operations, if Iraq made the request.
- Heighten Iran's concern about direct Soviet military action by increasing tensions along Iran's border with the USSR and step up military operations in western Afghanistan. Moscow could even create incidents along the Soviet border involving some exchange of fire.
- Enforce an embargo on Soviet-made arms reaching Iran from Eastern Europe and try to impose similar restrictions on Syria, Libya, and possibly even North Korea. This would involve expenditure of considerable equities with these states in order to enforce Moscow's will.
- Stop the transit of Iranian imports crossing Eastern Europe and the USSR []

45. Even less likely:

- Moscow could send fighter squadrons to Baghdad and fly air attack missions against Iranian troop concentrations or targets inside Iran.
- Moscow could fly combat missions against Iran from airbases in the USSR []

46. None of these measures—other than major Soviet participation in air combat against Iran—would prevent Iran from continuing the war. They would,

³ The Soviets face considerable logistic difficulties, particularly in a rapidly deteriorating situation. A symbolic force will not deter Iran. Although air transport would be quickest, the Soviets would have to obtain permission for numerous overflights from Turkey or risk flying over Iranian territory. The Soviets would require several days to send a tactical air regiment (40 aircraft) and at least a week to send an entire airborne division, some 7,000 men, to Iraq. While such forces might slow down an Iranian advance, they would need to be quickly reinforced with more heavily armed forces—probably requiring several weeks to several months—to effectively hold back a major Iranian assault. []

however, severely damage the Soviets' hopes of improving relations with Iran over the longer term. Relations with Iraq's rivals would be strained, while the Arab countries that support Iraq probably would be suspicious of Soviet intentions. Direct Soviet military conflict with Iran could become dangerous to Moscow if it led to a broader Soviet-Iranian military engagement, which could heighten the prospects of a US-Soviet confrontation over Iran:

- On balance, we believe the Soviets will be unlikely to engage in direct combat support to Iraq against Iran, but Moscow would need to calculate the impact of the collapse of a country near its borders with which it has had a Friendship Treaty since 1972 []

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Change in the Iraqi Leadership

47. The effect of Saddam's demise on Soviet-Iraqi relations would depend upon the nature of the regime that replaced him. From Moscow's standpoint, an Iranian-dominated Shia regime or a more Western-oriented leadership would be worse alternatives than Saddam.⁴ If Saddam were simply replaced by his chief lieutenants—the most likely scenario—chances are they would share his distrust of the Soviets, although they probably would not allow this to dominate Iraqi policy toward the USSR as Saddam often has. The Kremlin might try to ingratiate itself with the new leaders by offering better credit terms on arms purchases, some of the more advanced weaponry it has been reluctant to provide, and possibly intelligence and security support to help them maintain power. The relationship might become less acrimonious in this case but probably would not differ markedly from that which prevails under Saddam. []

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Implications

48. In the event of a looming Iranian victory, the Gulf states would seek reassurance from Washington that they could still count on US support in the event of direct Iranian threats. These countries would seek and expect public statements of support for their territorial integrity and security from the United States and from West European countries to reduce the appearance of rushing into the US embrace. They would also try to expand cooperation between the

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⁴ Moscow's relations with Saddam have been troubled over the years by its 1980 arms embargo and differences over the Arab-Israeli peace process; Iraqi Communists; the flow of Soviet-made arms to Iran from Syria, Libya, and Eastern Europe; the Soviet invasion of Afghanistan; and the Eritrean rebellion in Ethiopia. []

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GCC and the United States and Western Europe, which will provide at least the appearance of strength in numbers. They will urge a more visible United States in the Persian Gulf, particularly ship deployments

49. Unless Iranian forces attack them, the GCC countries will be reluctant to make public appeals for Washington's military support to avoid provoking Tehran. They probably judge that Iran's hostility to US presence in the Gulf region will be intensified by any major Iranian victory and consequent increase of Iranian influence. They will also fear a domestic backlash if they draw too close to Washington and would perceive themselves as caught in a delicate balancing act.

50. The long-term impact of an Iranian victory on the Gulf would be profound. The GCC countries would initially pledge their willingness to work with

Iran to maintain stability in the Gulf, and, to the degree Iran responds positively, the Gulf states would reduce their visible links to Washington. If Iran threatened them, however, they would see little alternative to closer ties to the United States to forestall Iranian pressure. Iran's performance in the war—under severe economic constraints—has already assured its place as the force to be reckoned with in the Gulf

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51. Short of sizable direct intervention, there is little the United States could do to shore up the Iraqi military position. Iraq remains well armed, and US military aid or advisers would only marginally improve Iraq's ability to defend itself against Iran. As long as Iran continues to have access to its non-Western suppliers—Libya, Syria, North Korea, and East European countries—it can maintain its military effort at current levels indefinitely. Under these conditions, a further tightening of the Western arms embargo on Iran will have little effect.

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